S0320-1
3/81/54 A

ALASKA ECONOMIC TRENDS

February 1989

Unemployment Insurance System: It Works for Alaskans When Alaskans Cannot Work

December '88 Employment Up Everywhere but Anchorage

ALASKA ECONOMIC
TRENDS

Contents

1 Unemployment Insurance System: It Works for Alaskans When Alaskans Cannot Work

11 Alaska's Employment Scene:
December '88 Employment
Up Everywhere but Anchorage

Employment Scene Tables:

11-12 Nonagricultural Wage and Salary Employment By Place of Work
13 Hours and Earnings for Selected Industries
16 Labor Force by Region and Census Area

Alaska Economic Trends is a monthly publication dealing with economic-related issues of Alaska. Opinions and analyses expressed by guest authors may not be consistent with those of the Alaska Department of Labor.

We welcome contributions on current economic issues from our readers. For a copy of our editorial policy contact the Editor, *Alaska Economic Trends*, Alaska Department of Labor, P.O. Box 25501, Juneau, Alaska 99802-5501, Telephone: (907) 465-4500.

Steve Cowper, Governor,
State of Alaska

Jim Sampson, Commissioner,
Department of Labor

Chuck Caldwell, Chief,
Research and Analysis

Michael Fagan, Editor

February 1989
Volume 9
Issue 2

The Unemployment Insurance System: It Works for Alaskans When Alaskans Cannot Work

by Michael Hurst

The recession that began in late1985 had a serious impact on almost every sector of the Alaskan economy. It was the individual Alaska worker, though, who was among the most gravely affected and also was among the first affected. More than 20,000 workers' jobs disappeared from the economy in two short years, 1986 and 1987. Average yearly earnings per job declined by 3% during the same period. Many workers were forced to move south. More than 10,000 properties went into foreclosure.

The 1980s recession eventually touched nearly every industry, occupation, and geographic area. Among industries, construction was hit first and hardest, actually starting to decline in 1984. The transportation, communications and utilities sector followed close behind. The services, trade, finance and real estate industries began to sustain losses in 1987 when the recession's secondary effects — loss of wages — were triggered. In all, over $750 million in Alaska payroll was lost between 1985 and 1987.

More than 20,000 workers' jobs disappeared from the economy in 1986 and 1987.

UI System: Alaska's 3rd Largest Employer' During Recession

If it hadn't been for Alaska's Unemployment Insurance (UI) system, the impact of the recession would have been much more severe on both unemployed workers and on Alaska's economy in general. Between 1985 and 1988 more than 138,000 unemployed workers received unemployment compensation totalling over $578 million. Over $111 million more was paid out in benefits between November 1985 and April 1988 than was collected in taxes and reimbursements in that same period. This provided a direct stimulus to the economy. If the UI system's benefits were considered payroll, the system would have been the third largest employer in the state during this period.

Why Employers' Tax Rates Are Fluctuating Drastically

Both employees and employers benefit from the UI system. It is self-financed, primarily through employer and employee taxes. The financing method is automatic and is designed to be countercyclical. The countercyclical design explains why average employer tax rates are still fluctuating drastically. Evidence of this wild fluctuation is the fact that in 1985 the average employer tax rate amounted to 2.17%. In the present calendar year, the average tax rate on employers will be 4.14%, the highest in history. What are the reasons for the hike? Alaska employers are paying in 1989 for the increased benefit payments disbursed during the past recessionary year, and they are rebuilding the UI savings account as a buffer against future recessions.

Purpose of the Unemployment Compensation System is Twofold

The Alaska Employment Security Act was enacted by the territorial legislature in 1937 because state lawmakers recognized that "...involuntary unemployment is a serious menace to the health, morale, and welfare of the people of the state." With this legislative mandate in mind, there is a twofold purpose of the unemployment compensation system. The system is designed to: 1) Ease the

financial distress of lost income to unemployed workers and their families, and 2) Maintain purchasing power to help stabilize the state's economy.

Focuses of this article:

Having briefly sketched out an overview of the Alaska Unemployment Insurance system and its recent effects on the state's economy, it's now pertinent to outline where this article is going. This commentary will focus primarily on the recessionary years of 1985 through 1988, and this article will —

— Evaluate the support that UI gave to unemployed workers.

— Examine how the Unemployment Insurance system in Alaska successfully achieved its goals during the recent recession.

— Show how the UI trust fund helped stabilize the economy.

— Explain why UI employer tax rates are so high in 1989, and

— Explain why the rates will decline in 1990 and 1991.

Many Alaskans were able to remain in the state during the last recession largely because of the unemployment insurance compensation they received while out of work.

George and Jean — A typical, fictitious case

George had worked as a heavy equipment operator at a Fairbanks concrete plant since moving to Alaska in 1974. His wife Jean had been a loan officer at the local bank for six years. When the price of oil fell in late 1985, the concrete plant operation was closed and George was laid off. Jean was not affected immediately. But, eventually, the loss of wages in Fairbanks forced many residents to move south; many defaulted on their home loans. The bank began to lose assets and was forced to cut back. In late 1986 Jean was laid off.

George and Jean's story was a common one in Alaska between late 1985 and early 1988. About 20,000 jobs disappeared from the Alaska economy in 1986 and 1987. Many workers were indeed forced to move south. Home foreclosures and bankruptcies were a common occurrence.

Yet like many others who were laid off during the recession, George and Jean chose to remain in Fairbanks. Luckily, George was rehired after a few months of being out of work. He went back to work at the Fairbanks concrete plant after new military-related construction projects allowed the plant to reopen. Jean also returned to work after a few jobless months, having been hired by owners of a local tourism business.

The Fairbanks couple survived financially and were able to remain in the state largely because of the unemployment insurance compensation they received while out of work.

In order to better understand how the UI system helped George and Jean during their time of joblessness, and how it has helped thousands of other couples like them, it's pertinent to briefly explain UI's major programs. The system has two major programs — regular and extended benefits. Also important in coming to understand the UI benefits program are questions regarding adequacy of the benefits, and how much compensation individual claimants are entitled to receive.

Regular Benefits: $260 Per Week for 26 Weeks Is Maximum

The chief type of unemployment insurance benefits paid in the U.S. is called simply 'regular benefits'. How much a claimant receives in total regular benefits is determined by two elements: the claimant's weekly benefit amount and the number of weeks that the claimant receives benefits.

In Alaska, the claimant's weekly benefit amount is determined by his earnings in his 'base period'. (The base period is defined as the first four of the prior five complete calendar quarters.) The minimum benefit amount is $38 per week for total earnings of $1,000. The maximum is $188 per week for total earnings of $19,750 and over. A claimant may also receive dependents benefits, allowing him $24 for each dependent — up to three dependents. In all, therefore, it's possible for a claimant to receive up to $260 per week in benefit payments.

The number of weeks that a claimant can receive benefits depends upon the

steadiness of the claimant's work history during his base period. The maximum number of weeks that a claimant can receive regular benefits is 26 weeks, presuming he received his earnings equally over four quarters. The minimum number of weeks is 16, presuming he received all of his earnings in one quarter.

Extended Benefits Payable Only When Statewide Insured Unemployment Rate is 6%

When a claimant exhausts all of the regular benefits to which he is entitled, he becomes eligible for an additional benefit program called 'extended benefits'. He may claim up to one-half of the amount of regular benefits for which he was found eligible. There is an additional eligibility restriction, however. Extended benefits are only payable when Alaska's statewide unemployment is above a certain level. Specifically, the statewide 'Insured Unemployment Rate' (IUR) must be at least 6.0%. The statewide IUR is a weekly ratio of:

$$\frac{\text{Claims Actually Filed}}{\text{Average Employment}}$$

In Alaska, extended benefits are usually payable beginning in January; they usually end in July or August. Figure 1 shows the insured unemployment rates for 1986 and 1988. Note that in 1986 the IUR never fell below 6.0%. This means that extended benefits were payable year-round in 1986.

Benefit Adequacy: A Critical Measure of the UI System's Success

A critical function of the UI system is to partially replace an individual's lost income while he is unemployed. An important measure of the system's success is determined by the percentage of earned income replaced by UI. This is often referred as 'benefit adequacy.' In 1988 the average weekly benefit amount for regular benefits was $156.57. In that same year, the average weekly earnings for UI recipients were $366. Thus, the average UI benefit replaced about 43% of the average earned income for UI claimants.

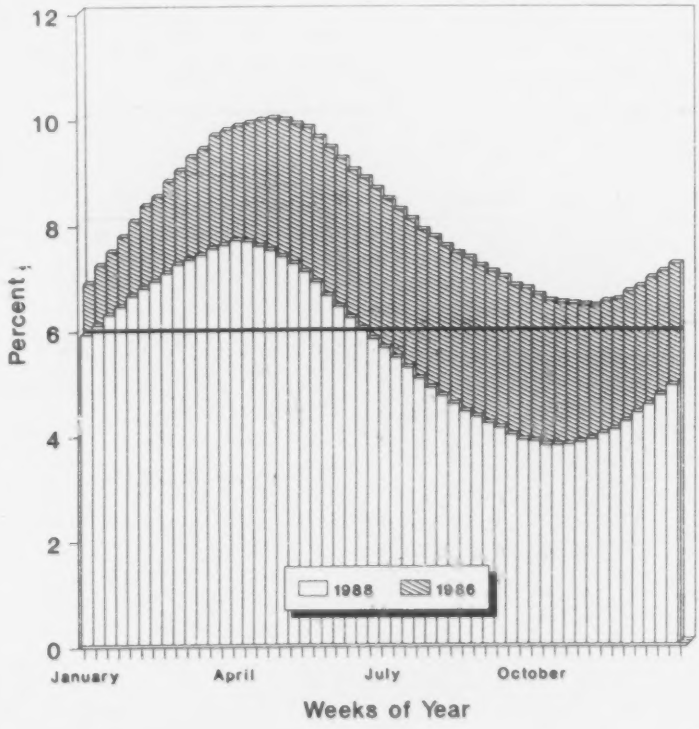
Table 1 provides data on the two main programs in Alaska — regular and extended benefits — for the five years 1984 to 1988. It lists the number of first payments (an approximation of the number of UI recipients), the total number of weeks claimants received payments, the amount of money they received in benefits, and the number of 'exhausts'. (Exhausts is defined as the number of recipients who have received the maximum benefits they were eligible to receive.) Table 1 also shows the 'Exhaustion Rate', and the average number of weeks each recipient has received compensation. (Exhaustion Rate is defined as the percentage of recipients who exhaust their eligible benefits.)

Note in Table 1 that all of the categories peaked in 1986; peaking in 1987, though, were the Exhaustion Rate and the average number of weeks per recipient. This indicates that while

In 1988, the average UI benefit replaced about 43% of claimants' average earned income.

Figure 1

Insured Unemployment Rate – 1986 and 1988

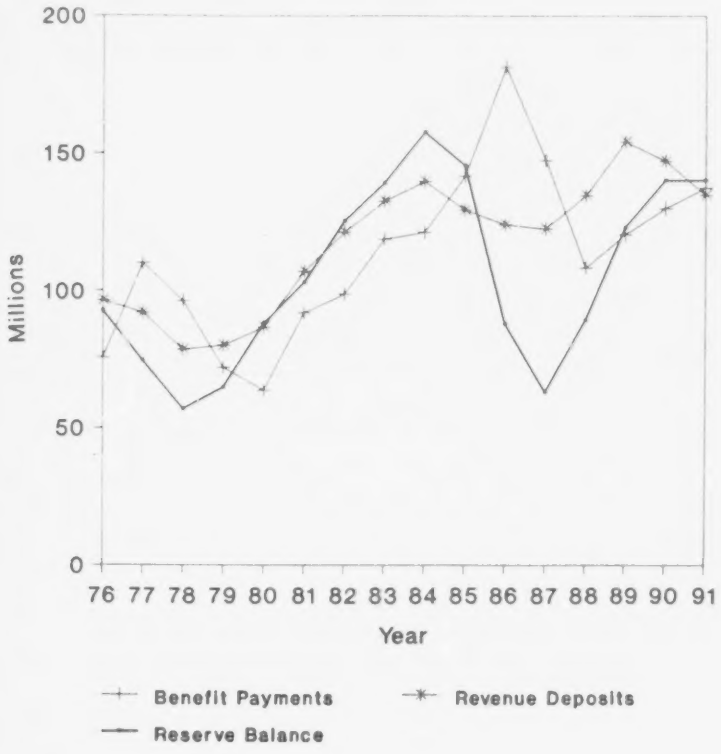


Extended Benefits payable when IUR is at least 6.0%

Source: Alaska Department of Labor, Research & Analysis

Figure 2

UI Trust Fund Cash Flow
Payments, Revenues, Reserve Balance



Source: Alaska Department of Labor, Research & Analysis

actual total claims began to decline after 1986, those who remained unemployed were out of work for a longer period of time. Even though there were fewer total recipients in 1987, the situation was worse in 1987 than 1986 for the individual UI recipient.

UI Disbursements Reduces Negative Income Multiplier Effect

When George lost his job his wages were not lost to just him. His wages were lost to the entire Fairbanks community because of his lost ability to purchase goods and services. This loss of demand for goods and services often results in further job layoffs. This turn of events is commonly known as a negative 'multiplier effect'. Using the multiplier effect, most economists estimate that no less than two jobs are lost for every initial layoff.

Part of UI's purpose is to diminish the negative multiplier's effect in causing additional lost jobs or wages. The UI system performed this function well during the past recession. More than $750 million was lost in total payroll in Alaska in 1986 and 1987. Much of this loss had already been induced by the multiplier effect. Yet at the same time unemployment compensation was pumping back into unemployed Alaska workers' hands more than $257 million.

Table 1

UI Recipients and Payments, 1984-1988

Year	First Payments	Weeks Paid	Amount Paid ($)	Final Payments (Exhausts)	Exhaust Rate	Average Duration (Weeks)
			Regular Benefits			
1984	45,453	662,704	96,612,962	20,704	0.46	14.6
1985	49,348	767,652	123,967,863	24,291	0.49	15.6
1986	55,514	911,807	147,359,435	30,148	0.54	16.4
1987	45,345	770,406	123,528,576	26,496	0.58	17.0
1988	36,090	579,422	92,974,600	18,670	0.52	16.1
			Extended Benefits			
1984	9,736	52,056	7,403,330	2,712	0.28	5.3
1985	12,158	69,368	10,715,479	3,749	0.31	5.7
1986	20,678	136,180	21,946,702	8,486	0.41	6.6
1987	13,145	94,773	15,230,837	6,246	0.48	7.2
1988	8,281	51,385	8,158,738	2,806	0.34	6.2

Source: ETA 5-159 report to the U.S. Department of Labor.

(Another $72 million was paid to former Alaska workers living outside of the state.) Altogether, the four years 1985-through-1988 the UI system accounted for over $451 million of income in Alaska. (In those same years, another $127 million was paid to former workers living out-of-state.)

UI Trust Fund Account Dropped Dangerously Low in 1987-88

The UI Trust Fund is designed to act as a savings account which can be drawn down during difficult economic times and built up when times have improved. As mentioned earlier the trust fund paid out $111 million more in benefits than it received in revenue between November 1985 and April 1988. This very large outflow of funds would not have been possible without adequate reserves in the UI Trust Fund. At the end of November 1985 the balance in the state's trust fund account was $157 million. The account hit bottom in late April 1988, falling to $46 million. (Figure 2 shows benefit disbursements, revenue deposits, and the reserve balance of the trust fund from 1976 to 1988. Figure 2 also depicts forecasts for 1989-91.)

One of the main obligations of all states' financing mechanisms is maintaining the solvency of the trust fund. Alaska's system is designed to remain perpetually solvent by way of a formula that automatically raises tax rates when benefits are high or when the trust fund is low. Yet in 1987 it appeared that the system's solvency might fail. To cope with that unexpected possibility, legislation was passed that year enabling the state to borrow money (and pay interest on the borrowed funds) to maintain the fund's solvency. The main reason for the falling trust fund balance was a massive rise in benefit payment outlays — from $121 million in 1984 to $142 million in 1985 and $182 million in 1986. In 1987, payments declined to $147 million; that outlay, though, still amounted to $25 million over revenues for 1987.

The trust fund did not go broke, though, and no money actually was borrowed to maintain its solvency. It was in April 1988 that the fund's steady negative momentum was finally halted. This past calendar year of 1988 saw a continuing decline in benefit payment outlays (to $108 million), and an increase in revenue (to $137 million). The increase can be attributed to higher UI taxes. At the end of 1988 the fund had recovered to a balance of about $89 million. By the end of 1989 it is expected to reach $120 million. And by the end of 1990 it is expected to reach $140 million. Alaska's UI trust fund hasn't been forced to borrow money since 1960. Barring any future recession of the same magnitude as that which occurred between 1985 and 1987, the fund should never have to borrow any funds. This likelihood is due to the state's automatic financing mechanism, which is the next subject of this article.

Current UI Rates: Why They Are Now So Historically High

George's employers were hard hit by the drop in oil prices just as were many other businesses throughout Alaska. They had to cut back to a skeleton crew, sell some of their equipment, and restructure some of their loans. For a couple of years they were constantly on the verge of bankruptcy. To make matters worse, the owners feared that George and their other best employees would leave the Fairbanks area. If those fears proved true, they would have had to pay additional expense to train new employees when their business revenues improved.

Fortunately, the concrete plant's unemployment insurance taxes were reasonably low during the time when the owners were on the verge of bankruptcy. In 1985 the owners' rates were 2.17% of each employee's taxable wages — about $473 per year per employee. By 1986 taxes had increased to $555 per employee. But in 1987 the taxes that the plant paid per employee rose to $866. And in 1988 the UI taxes soared to $1,097. Finally, the 1989 taxes that the concrete plant owners have been assessed are the highest they have ever been, $1,137.

What caused the tax rates to rise so much? And why such a rapid increase over the past three years? Two factors influenced the rates for the concrete plant. First, the plant's unique unemployment problems placed them in a higher 'tax bracket'. Second, and more important, average rates for all Alaska employers rose over the past

Alaska's UI system is designed to remain perpetually solvent by way of a formula that automatically raises tax rates when benefits are high or when the trust fund is low.

three years. All rates rose automatically to help the system recover from the 'benefits shock' of 1985 and 1986.

Before we examine in detail why rates are so high in this calendar year, it's relevant to understand how UI tax rates — both individual employers' and average UI tax rates — are calculated in the first place.

An Explanation of Individual Employers' Business Rates:

As Figure 3 shows, the greatest proportion of revenue flowing into the UI trust fund comes from employer and employee 'tax contributions'. In fact, tax contributions are the only source of revenue that significantly affects the balance of the trust fund; all other deposits are direct reimbursements. These revenues are tax contributions because they are assessed on employers by the state Department of Labor in advance of future UI payments to their employees.

Each employer is assigned to one of 21 different rate classes, each of which has a different tax rate. The assignment decision is linked to a couple of factors: If the employer has been operating a business for at least one year, the business' individual rate class is based on the employer's own individual experience with unemployment. If the business has been in operation for less than one year, it is assigned the average rate class shared by other employers in the same industry. This process is termed 'experience rating'.

In Alaska, an employer's experience rating is first determined by measuring declines in payroll from one quarter to the next. This figure is averaged over three years' time. (This method of measurement is used because declines in payroll are primarily caused by reductions in the business' work force. Reductions in the work force cause a rise in UI payments.) Employers with a low payroll decline receive a more favorable UI tax experience rating than employers showing high declines in payroll.

Each of every 21 rate classes is assigned a tax rate that is a percentage of the 'average' — or base — tax rate. The percentages range from 40% (for Rate Class 1) to 165% (for Rate Class 21). (The percentage for the average rate — which comes in at rate classes 10 and 11 — is 100%.) These percentages are actually called 'experience factors'. Table 2 shows the 21 different rate classes, the experience factors, and the 1989 tax rates for each rate class.

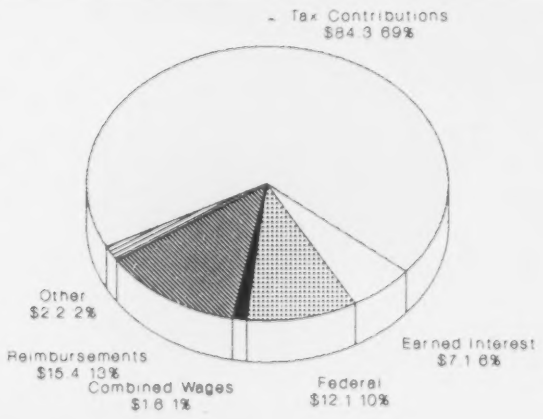
For the employer to determine the business' maximum UI contribution paid on each employee, the employer can take the business' assigned tax rate and multiply it by each employee's taxable wages. (Taxable wages are determined by each state's UI tax base; Alaska's UI tax base is equal to 75 percent of the statewide average annual wage.) For 1989, the state's tax base is $20,900, down from $21,800 in 1985. Thus, in 1989, the maximum tax an employer will be required to pay per employee — for an employer in the 'average rate class' (rate classes 10 or 11) — will be $865.26, or 4.14% of $20,900.

How Average UI Tax Rates Are Calculated:

Although this article has first addressed individual employers' business rates, it is the average tax rate which is first computed and determined by the Alaska Department of Labor according to Alaska statutes.

Figure 3

UI Trust Fund Revenue Sources
1987, Total and Percentage of Total ($ = Millions)



"Combined Wages" are reimbursements from other states for shared UI, due to wages earned both in Alaska and other states.

Source: Alaska Department of Labor, Research & Analysis

Indeed, it is the average tax rate which is the real substance of Alaska's UI financing system. The level of the average tax rate determines how much total tax contributions are collected each year. Individual employers either pay lesser or greater percentages of this average rate.

Guts of the UI: Benefit Costs and the Benefit Cost Ratio

In order to understand how the average UI tax rates are calculated, it is first important to understand the 'guts' of the UI system, benefit costs and the 'benefit cost ratio'. Benefits paid to claimants are called 'benefit costs' because they are a cost to the system. (UI benefits have also been considered a cost of doing business to all U.S. employers ever since the Social Security Act was enacted in 1935.) Benefit costs do not include all benefits paid; instead, benefit costs are that portion of benefits paid to employees by taxable employers.

Benefit cost data alone are insufficient to determine the financial condition of the UI system. Wages paid are also a critical element because the total amount of wages paid in the state determines the amount of taxes being collected and the amount of potential future benefits for which the system might be liable. The fundamental driving force, then, of average UI tax rates, is what is known as the 'benefit cost rate' (BCR). The BCR is computed as: benefits paid in the current year divided by wages paid in the prior year.

Since the Unemployment Insurance system is self-financing, taxes collected in the long run must be equal to benefits paid in the long run. This is achieved when the long-run average tax rate is equal to the long-run benefit cost rate. (In 1980, the Alaska Legislature recognized the need to balance these two factors. As a result, lawmakers adopted it as the prime equation for determining tax rates.) Average UI tax rates are designed to be — in their most fundamental form — equal to the benefit cost rate.

Alaska UI System Designed to be Countercyclical and to Respond Rapidly to Economy's Changes

However, Alaska's UI system is not so simple. The design of this state's system has been devised so that it can respond quickly to changes in the economy and so that it can work in a countercyclical fashion. The system is designed to delay tax increases so that employers are not hit by the tax hikes during the worst part of a recession.

Table 2

UI Employer and Employee Contribution Rates, 1989

Rate Class	Experience Factor	Employee Contribution Rate	Employer Contribution Rate	Total Contribution Rate
1	0.40	0.7%	2.20%	2.90%
2	0.45	0.7	2.36	3.06
3	0.50	0.7	2.52	3.22
4	0.55	0.7	2.68	3.38
5	0.60	0.7	2.85	3.55
6	0.65	0.7	3.01	3.71
7	0.70	0.7	3.17	3.87
8	0.80	0.7	3.50	4.20
9	0.90	0.7	3.82	4.52
10	1.00	0.7	4.14	4.84
11	1.00	0.7	4.14	4.84
12	1.10	0.7	4.47	5.17
13	1.20	0.7	4.79	5.49
14	1.30	0.7	5.12	5.82
15	1.35	0.7	5.28	5.98
16	1.40	0.7	5.44	6.14
17	1.45	0.7	5.60	6.30
18	1.50	0.7	5.77	6.47
19	1.55	0.7	5.93	6.63
20	1.60	0.7	6.09	6.79
21	1.65	0.7	6.25	6.95

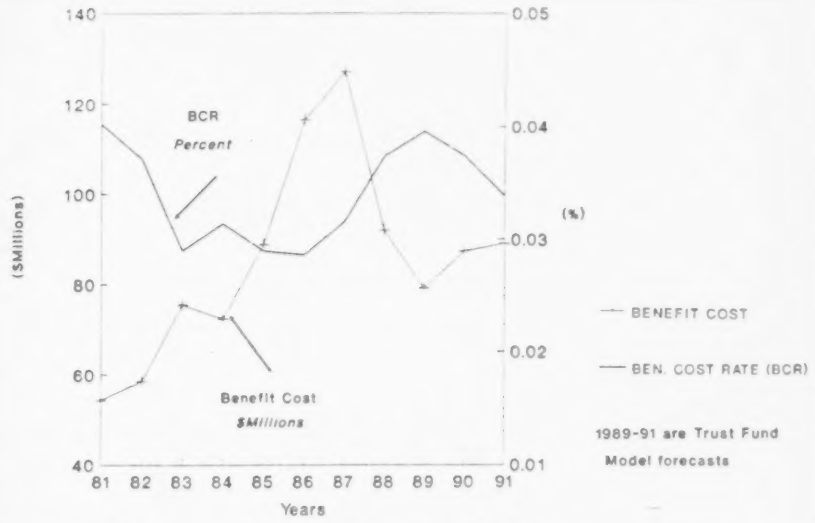
Average Benefit Cost Rate (ABCR) =	0.039558
.82 × ABCR =	0.032438
Trust Fund Solvency Adjustment (TFSA) =	0.009
Employee Tax Rate = 0.18 (ABCR) =	0.7%
Average Employer Tax Rate = 0.82 (ABCR) + TFSA =	4.14%

Individual Employer Tax Rates = 0.82 (ABCR) (Experience Factor) + TFSA

Sources: Alaska Statutes 23.20.290. Alaska Department of Labor, 1988. Table 1, UI Tax Rate Calculations, 1989.

Figure 4

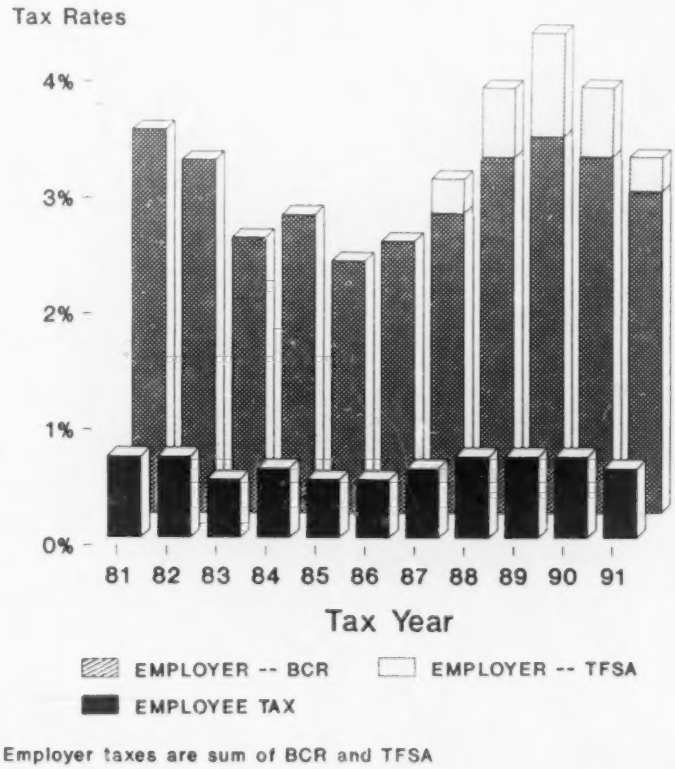
UI Benefit Costs and Rate (BCR) State Fiscal Years 1981 – 1991



Source: Alaska Department of Labor, Research & Analysis

Figure 5

Components of Average UI Tax Rate Employer and Employee Taxes



Source: Alaska Department of Labor, Research & Analysis

In theory, a system that is strictly countercyclical is one which has a single tax rate year after year. In contrast, a system that is not countercyclical — but instead responds rapidly to changes — computes rates according to benefit payments of the prior year.

Alaska's UI system, as mentioned beforehand, is a compromise between a state's need to respond quickly to changes in its economy and the need for the system to work in a countercyclical fashion. Rather than using a one-year formula to compute the benefit cost rate, Alaska uses an average of the three prior years. (Figure 4 depicts benefit costs and the three-year benefit cost rate for state fiscal years 1981 through 1988. Figure 4 also depicts forecasts for 1989 through 1991).

Employers Pay 82% of Benefit Cost Rate, Employees 18%

Once the three-year benefit cost rate is determined, employers are assigned 82% of that rate, employees the other 18%. All employees' taxes are equal. The average employer tax varies, however. The employer's tax rate is a result of the average employer tax multiplied by the individual employer's experience factor. In a stable economy, this is all there is to the computation of tax rates.

Additional Surtax Ensures Trust Fund's Solvency

However, in a severe recession like the state has experienced over the past few years, this system — as designed so far — is unlikely to recover quickly enough to ensure a solvent trust fund. In order then to ensure trust fund solvency during recessionary years, an additional 'surtax' is added to employer tax rates. This surtax is called the Trust Fund Solvency Adjustment (TFSA). The TFSA is determined by a schedule dictated by Alaska statutes. It ranges from -0.4% (when the trust fund balance is excessively high) to 1.1% (when the trust fund balance is dangerously low). The TFSA also acts in a countercyclical fashion; it cannot rise or drop by more than 0.3% from one year to the next. In 1985 the TFSA

was -0.2%. In 1987 and 1988, it was 0.3% and 0.6%. In this calendar year, 1989, the TFSA is 0.9%.

Altogether, George's employers' tax rate is calculated this way: It is the total of two computations; that is, 82% of Alaska's three-year benefit cost rate is multiplied by the plant's own experience factor. And added to this sum is the Trust Fund Solvency Adjustment.

Now, after having gained a basic understanding of the formula which determines the UI tax rate, it's possible to comprehend why the tax rates were so high in 1988 and continue to be high in 1989. It's also possible to perceive why UI tax rates in Alaska are expected to decline in 1990 and 1991.

Average Tax Rates Tracked Between 1981 and 1991

Figure 5 illustrates the components of employee and employer tax rates; the rates are depicted as a percent of taxable wages. The employer tax rates include both portions attributable to the benefit cost rate, as well as the Trust Fund Solvency Adjustment.

(The sum of these two elements is the total average employer tax rate.) These employer rates are the average tax rates for each year listed. The figure includes data as far back as 1981, the first year of Alaska's current financing system. The 1989 tax rates are actual rates, having already been assigned. The 1990 and 1991 rates are forecasts generated by DOL Research & Analysis economists using the department's UI Trust Fund Model.

We can see from Figure 5 that tax rates declined steadily through the early 1980s, then began to rise in 1986. Over the last 20 years, the average tax rate has been about 3.2%. This tells us that the rates between 1983 and 1986 were substantially lower than average. Figure 5 also points out, though, that benefit costs were actually increasing during these same years, and that they nearly peaked in 1986. During this time, benefit cost rates were declining while benefit costs were rising. This apparent contradiction can be explained via two factors: total wages were rising faster than benefit costs, and the benefit cost rate is a three-year average.

The Surtax (TFSA) and Rising Benefit Costs Are the Causes of Higher UI Taxes

It is pertinent to note in Figure 5 that the benefit cost rate portion of employer taxes is about the same for SFY 1989 as it was for SFY 1981. The reason that total taxes are higher is due to the TFSA. Figure 2 demonstrates the fact that rising UI Trust Fund revenues (caused by lower tax rates, coupled with higher employment and payroll) kept pace with rising benefits until 1984. Between 1985 and 1987 trust fund reserves plunged sharply. This sudden plunge caused the first positive TFSA — amounting to +0.3% — to be added to 1987 tax rates. Through this calendar year, 1989, the TFSA has risen to 0.9%

By adding together the two portions of employer tax rates — the benefit cost rate and the TFSA — it's possible to come to two conclusions: 1) That the higher tax rates of 1987 through 1989 represent a delayed reaction to the rapidly rising benefit costs amassed between 1984 and 1987, and 2) That the higher tax rates of 1987 through 1989 represent a move to recapture UI trust funds lost during the precipitous decline of its reserve balance between 1985 and 1988.

It's worthy to again note that if a countercyclical financing system did not exist, the highest tax rates would have occurred in 1986 and 1987, the two worst years of the recession.

Thus, higher tax rates are being levied this year so that prior benefit payments can be adequately covered. Further, the higher tax rates are being levied so that the trust fund can be rebuilt to cover any possible, future recession.

If the countercyclical financing system did not exist, the highest tax rates would have occurred in 1986 and 1987, the two worst years of the recession.

UI Tax Rates To Drop In 1990 and 1991, and Possibly in 1992

It's encouraging to point out that the same elements that have caused tax rates to increase (benefit costs and TFSA) will combine to produce lower tax rates in 1990 and 1991. It's likely, too, that 1992 will also be a year marked by lower UI taxes. Here are the reasons: Benefit costs began to decline in the

These projections – that UI tax rates will drop in 1990 and 1991, and possibly in 1992 – could prove overly optimistic if the state's current budget shortfall results in added job losses in 1989.

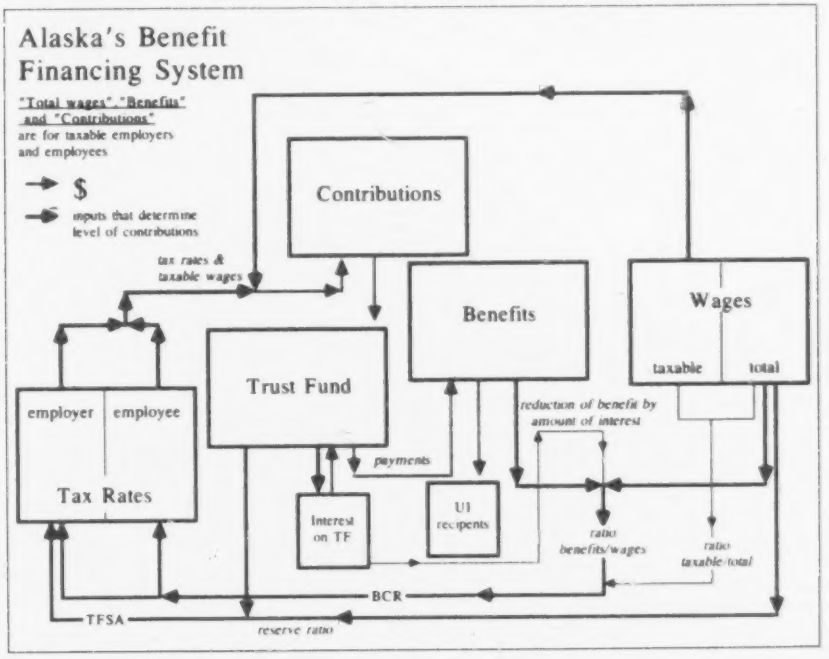
latter half of 1987 and should continue to decline until mid-1989. So that portion of tax rates attributed to benefit costs will begin to decline in 1989 and continue to decline through 1991. Meanwhile, the UI trust fund reserve began to recover in 1988 and will continue to recover through 1991. So the Trust Fund Solvency Adjustment will begin to decline in 1990.

These projections are based on current estimates of future employment and unemployment by the state Department of Labor. These projections could prove overly optimistic if the state's current budget shortfall results in added job losses in 1989. Added unemployment in 1989 could reduce the rate of decline of employer tax rates. But because UI tax rates are calculated upon past data, new job layoffs are unlikely to alter the fact that declining tax rates will occur.

Conclusion

The Alaska Unemployment Insurance system is just that — an insurance system — and not a social welfare system. It is only available to persons who have worked and are temporarily unemployed. There is a limit to the amount of benefits that can be claimed. It is financed through the payment of premiums — in this case, employer and employee taxes and reimbursements. As with other forms of insurance, these 'premiums' are often a bitter pill for employers to swallow, especially when the rates rise to exceptionally high levels. As with other forms of insurance, though, when the benefits are needed they provide vital support to the recipients.

Unemployment insurance has the dual purpose of providing temporary income support for unemployed workers and providing a measure of stability to the economy. During the recession that began in late 1985, Alaska's Unemployment Insurance system has performed well. Many thousands of workers received hundreds of millions of dollars in compensation. This allowed many of the workers to stay in Alaska. Without the compensation they would have been forced to leave the state. Furthermore, the reserves in the UI trust fund account provided a critical buffer to a flagging economy. The system is now in the process of rebuilding its reserves. And barring any major economic catastrophe, the UI system will continue serving Alaska workers when called upon in the future.



About the Author:

Michael Hurst is a labor economist employed for five years with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. Hurst is also the actuary for the Alaska Unemployment Insurance System. He is based in Juneau.

December '88 Employment Up Everywhere but Anchorage

by Holly Stinson

December's employment numbers reveal some good news and some bad news about the Alaska economy.

The bad news: Anchorage employment is still below year-ago levels.

The good news: Employment during the month of December was up in all other areas of the state.

The best of the good news: There are more jobs than last year for the fourth — and in some regions the fifth — month in a row.

Unemployment rates appear to point to an economic turnaround. The statewide rate this past December remained at November's level of 9.0%. (See Table 4.) While the rate rarely varies much during the winter months, the December 1988 rate was lower than any other December of this decade. A nine percent unemployment rate translates into just over 21,300 jobless Alaskans. That's fewer unemployed Alaskans in any December since 1981.

Statewide, sectors of the economy that showed the most gain from year-ago levels are mining (which includes the oil and gas industry), timber, and services. (See Table 1.) November 1988 employment figures were also above those of 1987 for these three same industries. Without question, the construction industry remains the hardest hit by the recession.

Mining Employment Up

The mining industry is seeing a rise in employment. Better prices for gold and silver are spurring increased exploration and development. The Interior region has seen a doubling of claims in the last year; it has also seen new commitments for exploration totaling $20 million. In Juneau, the Greens Creek gold and silver mine is coming into full production in February. In addition, there is talk of reopening the Alaska-Juneau gold mine.

Table 1

Nonagricultural Wage and Salary Employment
By Place of Work
Alaska

	p/ 12/88	r/ 11/88	12/87	Changes From: 11/88	12/87
Nonag. Wage & Salary	204,800	207,300	203,100	-2,500	1,700
Mining	8,900	8,900	8,200	0	700
Construction	7,100	8,100	8,800	-1,000	-1,700
Manufacturing	10,900	12,100	10,500	-1,200	400
Seafood Processing	4,500	5,500	4,600	-1,000	-100
Lumber & Paper Prod.	3,300	3,500	2,800	-200	500
All Other Manufacturing	3,100	3,100	3,100	0	0
Transportation	17,400	17,500	17,000	-100	400
Trucking & Warehousing	2,400	2,400	2,400	0	0
Water Transportation	1,000	1,100	900	-100	100
Air Transportation	5,500	5,400	5,200	100	300
All Other Transportation	8,500	8,600	8,500	-100	0
Trade	41,800	41,700	41,400	100	400
Wholesale	7,300	7,300	7,300	0	0
Retail	34,500	34,400	34,100	100	400
Gen. Mer. & Apparel	5,600	5,300	5,400	300	200
Food Stores	6,200	6,200	6,000	0	200
Eating & Drinking Pl.	11,800	12,100	11,800	-300	0
All Other Retail	10,900	10,800	10,900	100	0
Finance-Ins. & R.E.	10,500	10,500	10,800	0	-300
Services	41,100	41,100	40,300	0	800
Government	67,100	67,400	66,100	-300	1,000
Federal	18,200	18,100	18,300	100	-100
State	20,100	20,400	18,700	-300	1,400
Local	28,800	28,900	29,100	-100	-300

Prepared in cooperation with the U.S. Bureau of Labor Statistics. Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1987.

p/ Denotes Preliminary Estimates.
r/ Denotes Revised Estimates.

Table 2

Nonagricultural Wage and Salary Employment By Place of Work

Anchorage

	p/ 12/88	r/ 11/88	12/87	Changes From: 11/88	12/87
Nonag. Wage & Salary	99,150	99,500	99,700	-350	-550
Mining	3,650	3,600	3,100	50	550
Construction	3,450	3,850	4,800	-400	-1,350
Manufacturing	2,000	2,100	1,900	-100	100
Transportation	9,150	9,450	9,200	-300	-50
Trucking & Warehousing	1,500	1,600	1,450	-100	50
Water Transportation	250	300	250	-50	0
Air Transportation	3,200	3,250	3,100	-50	100
All Other Transportation	4,200	4,300	4,400	-100	-200
Trade	24,050	23,950	24,000	100	50
Wholesale	5,650	5,650	5,300	0	350
Retail	18,400	18,300	18,700	100	-300
Gen. Merch. & Apparel	2,700	2,600	2,900	100	-200
Food Stores	2,900	2,950	2,950	-50	-50
Eating & Drinking Pl.	7,000	6,950	6,950	50	50
All Other Retail	5,800	5,800	5,900	0	-100
Finance-Ins. & R.E.	7,150	7,200	7,150	-50	0
Services	23,650	23,400	23,300	250	350
Government	26,050	25,950	26,250	100	-200
Federal	10,400	10,350	10,550	50	-150
State	7,100	7,150	7,000	-50	100
Local	8,550	8,450	8,700	100	-150

Fairbanks

	p/ 12/88	r/ 11/88	12/87	Changes From: 11/88	12/87
Nonag. Wage & Salary	25,250	25,550	24,550	-300	700
Mining	50	50	50	0	0
Construction	1,300	1,450	1,450	-150	-150
Manufacturing	500	500	500	0	0
Transportation	2,100	2,100	1,900	0	200
Trucking & Warehousing	350	350	300	0	50
Air Transportation	350	350	300	0	50
All Other Transportation	1,400	1,400	1,300	0	100
Trade	5,550	5,600	5,500	-50	50
Wholesale	700	700	700	0	0
Retail	4,850	4,900	4,800	-50	50
Food Stores	800	850	850	-50	-50
All Other Retail	4,050	4,050	3,950	0	100
Finance-Ins. & R.E.	800	800	900	0	-100
Services	5,400	5,400	5,200	0	200
Government	9,550	9,650	9,050	-100	500
Federal	2,900	2,900	2,750	0	150
State	4,000	4,150	3,800	-150	200
Local	2,650	2,600	2,500	50	150

Anchorage-MatSu

	p/ 12/88	r/ 11/88	12/87	Changes From: 11/88	12/87
Nonag. Wage & Salary	105,500	106,200	105,850	-700	-350
Mining	3,650	3,600	3,100	50	550
Construction	3,650	4,150	4,950	-500	-1,300
Manufacturing	2,050	2,150	1,950	-100	100
Transportation	9,750	10,050	9,800	-300	-50
Trade	25,650	25,700	25,550	-50	100
Finance-Ins. & R.E.	7,650	7,650	7,600	0	50
Services	24,750	24,500	24,400	250	350
Government	28,350	28,400	28,500	-50	-150

Interior

	p/ 12/88	r/ 11/88	12/87	Changes From: 11/88	12/87
Nonag. Wage & Salary	28,750	29,200	28,100	-450	650
Mining	200	200	200	0	0
Construction	1,350	1,550	1,500	-200	-150
Manufacturing	500	500	500	0	0
Transportation	2,350	2,350	2,200	0	150
Trade	5,900	5,900	5,850	0	50
Finance-Ins. & R.E.	900	900	950	0	-50
Services	5,750	5,850	5,500	-100	250
Government	11,800	11,950	11,400	-150	400

Gulf Coast

	p/ 12/88	r/ 11/88	12/87	Changes From: 11/88	12/87
Nonag. Wage & Salary	18,400	19,200	18,200	-800	200
Mining	800	800	850	0	-50
Construction	750	850	800	-100	-50
Manufacturing	2,800	3,400	3,000	-600	-200
Seafood Processing	2,200	2,800	2,400	-600	-200
All Other Manufacturing	600	600	600	0	0
Transportation	1,300	1,350	1,300	-50	0
Trade	3,450	3,450	3,400	0	50
Wholesale	400	400	400	0	0
Retail	3,050	3,050	3,000	0	50
Finance-Ins. & R.E.	550	550	550	0	0
Services	3,150	3,150	3,050	0	100
Government	5,600	5,650	5,250	-50	350
Federal	500	500	500	0	0
State	1,700	1,750	1,450	-50	250
Local	3,400	3,400	3,300	0	100

Southeast Alaska

	p/ 12/88	r/ 11/88	12/87	Changes From: 11/88	12/87
Nonag. Wage & Salary	28,650	29,100	26,950	-450	1,700
Mining	200	200	150	0	50
Construction	750	900	850	-150	-100
Manufacturing	3,850	4,100	3,600	-250	250
Seafood Processing	500	550	700	-50	-200
Lumber & Paper Prod.	3,100	3,300	2,700	-200	400
All Other Manufacturing	250	250	200	0	50
Transportation	2,100	2,100	1,950	0	150
Trade	4,750	4,650	4,300	100	450
Wholesale	450	450	350	0	100
Retail	4,300	4,200	3,950	100	350
Finance-Ins. R.E.	1,050	1,100	1,050	-50	0
Services	4,500	4,550	4,250	-50	250
Government	11,450	11,500	10,850	-50	600
Federal	2,050	2,050	1,900	0	150
State	5,050	5,150	4,800	-100	250
Local	4,350	4,300	4,150	50	200

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date March 1987. p/ Denotes Preliminary Estimates r/ Denotes Revised Estimates

Oil Exploration Activity Increasing

Despite lower oil prices, the oil industry is increasing its exploration activity on the North Slope. The 1989 drilling season should be one of the busiest in several years. December's employment figures substantiate this. BP Exploration (Alaska) Inc. executives recently announced they are preparing the Hurl State field for oil production. Development of this oil field, located on the edge of Prudhoe Bay, is expected to help maintain oil production at Prudhoe Bay.

Lumber and Paper Products Up

A healthy rise in lumber and paper products manufacturing is driving the economic recovery in the Southeast where 94% of this industry's jobs are located. Other areas of the state are just now starting to harvest timber. Logging in the Ninilchik area of the Kenai Peninsula began this month. Shipments to the Pacific Rim via Homer should begin in February 1989. Further, a complicated land trade near Homer may allow for timber harvesting there.

Seafood Processing Holding Its Own

Other manufacturing — especially seafood processing — is holding its own. Compared to year-ago levels, the industry statewide either remains the same or is just short of those levels. This year there was no tanner crab season in Prince William Sound or Cook Inlet due to low stocks. The Western Aleutians enjoyed, though, an above-average harvest — both price- and pound-wise — during November and December.

Service Industry Gaining, Too

The service industry is the third industry to show significant gains for at least two consecutive months. Preliminary employment estimates indicate over-the-year gains for all regions of the state: 350 jobs in Anchorage, 250 jobs in the Interior, 250 jobs in the Southeast, and 100 jobs in the Gulf Coast. Most of these employment gains are in the medical, legal, and engineering/architectural fields.

The 1989 oil drilling season should be one of the busiest in several years.

Table 3

Alaska Hours and Earnings for Selected Industries [1/2]

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	P/ 12/88	R/ 11/88	12/87	P/ 12/88	R/ 11/88	12/87	P/ 12/88	R/ 11/88	12/87
Mining	$1,123.90	$1,122.55	$1,201.18	49.1	48.4	49.8	$22.89	$22.78	$24.12
Construction	858.05	896.94	891.33	37.7	38.2	36.5	22.76	23.48	24.42
Manufacturing	575.72	577.30	542.03	42.9	46.0	40.3	13.42	12.55	13.45
Seafood Processing	368.84	422.18	308.85	44.6	50.5	38.8	8.27	8.36	7.96
Lumber & Paper Prod	695.08	684.91	683.99	41.3	42.7	42.3	16.83	16.04	16.17
Trans., Comm. & Util.	564.61	596.74	567.00	35.2	36.7	36.0	16.04	16.26	15.75
Trade	369.94	371.58	345.83	33.6	33.0	32.2	11.01	11.26	10.74
Wholesale	520.37	524.49	529.15	37.9	38.2	38.4	13.73	13.73	13.78
Retail	322.64	322.39	286.60	32.2	31.3	30.2	10.02	10.30	9.49
Finance-Ins. & R.E.	407.10	399.68	390.10	34.5	33.7	34.1	11.80	11.86	11.44

Benchmark: March 1987

[1] Prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor

[2] excludes eating and drinking establishments

Average Hours and Earnings Series: Averages are based on data for full- and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

The drastic drop in the state's capital projects budget means a slow recovery for the construction industry.

Retail: Up Slightly

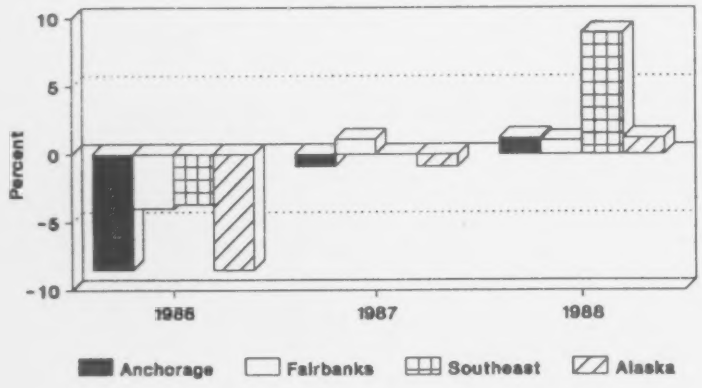
Retail trade employment increased only slightly during the 1988 holiday season. (See Figure 1.) The relatively healthy Southeast economy accounted for most of December's increase. During the 1987 holiday season, employment actually decreased in this industry. The December 1986 picture was not much better; only 100 additional statewide jobs were created that year. During this past Christmas, many merchants reported that lower-priced items sold better than higher-priced ones.

FIRE Sector's Pace Still Doused

The finance, insurance, and real estate (FIRE) industry is still not out of the woods. Total employment in this industry remains below year-ago levels. However, Anchorage employment in this sector shows no change from last December. Since Anchorage's financial institutions and real estate markets have been particularly stressed over the past three years, the absence of a drop in job levels is encouraging news.

Figure 1

December Retail Trade
Change in Employment from Previous Year



Source: Alaska Department of Labor, Research & Analysis

Government Jobs: Feds & Local Down, State Up

For the state as a whole, there are fewer jobs with federal and local governments this month than in last December. In every region, though, state government jobs show slight over-the-year gains. Responsible for much of this growth is a rise in University of Alaska employment.

Construction Industry Remains On Critical List

The construction industry remains the most severely depressed sector of Alaska's economy. The number of jobs statewide is down 1,700 from last December. And the 1987 figures are only half the level of the 1983-84 boom. This is true even for the historically slow construction month of December. Building activity on the military bases near Fairbanks helped keep construction employment close to last year's level in the Interior region. The Bradley Lake Hydroelectric Project near Homer and the Red Dog lead and zinc mine near Kotzebue also contributed to keeping employment levels from falling even further. But the construction industry is still on the critical list. The drastic drop in the state's capital projects budget — $323 million in FY 89 vs. $1.434 billion in FY 85 — means a slow recovery for this industry.

No Notable Change In Anchorage's December Jobless Rate

Anchorage's economic recovery is hampered by lower employment levels in the construction industry. (See Table 2.) In fact, total Anchorage employment would show over-the-year gains if not for construction-related job losses. Anchorage's December unemployment rate fell three-tenths of a percent — from the November rate — to 6.8%. The Mat-Su Borough unemployment rate remained the same as that in November, 15.5%.

Anchorage is seeing some over-the-year employment growth in the mining and manufacturing sectors. However, the city's job picture in the transportation,

service, government, and finance/insurance/real estate industries remains flat or slightly below year-ago levels. Wholesale trade enjoyed employment gains compared to last December. But job losses in retail trade from year-ago levels negated this growth, holding flat Anchorage's total trade employment for the second consecutive month. If the statewide economy is indeed turning the corner, Anchorage's economy is at most just peeking around that corner.

December Job Growth in Southeast Is At Its Peak for This Decade

In the Southeast there were more jobs this past December than there were for any December during the 1980s. There is little question that the economy in this region has turned the corner and is climbing upwards. December employment levels continue to show over-the-year growth for the fifth straight month. Further, the growth rate increased from 3% in August to over 6% in December.

Every industry in the Southeast enjoyed job growth with the notable exception of construction. Although seafood processing employment is below year-ago levels, a strong timber and pulp industry kept the level of total manufacturing job numbers above those of last December. The region's unemployment rate showed a seasonal increase — from November — to 8.9%. But that rate is almost a full percentage point below that of last December's.

Gulf Coast Turning Corner, Too

It looks like the Gulf Coast's economy also turned the corner in August. As in the Southeast, December numbers showed over-the-year employment growth for the fifth consecutive month. But the Gulf Coast's overall growth is unlike the steadily increasing progression in the Southeast; instead, its growth is hovering around 1%. Retail trade, services, and state and local government employment is above that of last December. Employment in the mining, construction and seafood processing industries remains below year-ago levels. Unemployment rates showed a typical, upward seasonal trend to 12.3%. That's almost 1% higher than November's rate, but almost 1% lower than one year ago.

Fairbanks Military Bases Survive Cut

Fairbanks and the Interior region have experienced over-the-year employment gains since September 1988, and December was no exception. Industries showing some growth are transportation (all types), services, and all of government — federal, state, and local. The losing industries in Fairbanks mirror the losers in the Anchorage economy, with construction and finance/insurance/real estate employment down from year-ago levels. The Interior's December unemployment rate dropped slightly from November to 12.4%. That figure is 1.5% below December 1987.

Fairbanks breathed an almost audible sigh of relief when the local military bases were not included in the federal government's December 'hit list.' Fairbanks was excluded from a list drawn up by a federal commission charged with closing down American military bases. This was perhaps the best news for this region in December because the military plays such an important role in the Interior's economy.

Summary: Good News Begins to Outweigh the Bad

Good news and bad news still describes Alaska's economy. The good news, though, is beginning to outweigh the bad. December's employment and unemployment levels indicate a long-awaited turnaround in most sectors of the economy. Perhaps the worst of December's bad news is that more areas of the state were not doing as well as the Southeast region.

Other economic indicators point to an upbeat conclusion: Mining companies are boosting investments in exploration and development. Oil prices are rising. The state's real estate market is showing signs of recovery, with fewer delinquencies and a stable inventory of foreclosed homes. The timber industry is booming, and the seafood industry remains healthy. Unemployment rates look better than in recent memory, and the Alaska military presence will remain at current levels for the time being.

About the Author:

Holly Stinson is a labor economist employed for four months with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. She is based in Anchorage.

Table 4

Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate			Employment		
	P/ 12/88	R/ 11/88	12/87	P/ 12/88	R/ 11/88	12/87	P/ 12/88	R/ 11/88	12/87	P/ 12/88	R/ 11/88	12/87
Alaska Statewide	236,008	237,140	237,724	21,326	21,282	23,706	9.0	9.0	10.0	214,682	215,858	214,018
Anch.-MatSu Region	124,261	124,702	126,818	9,667	10,069	10,718	7.8	8.1	8.5	114,594	114,633	116,100
Anchorage Borough	109,786	109,577	112,404	7,420	7,824	8,215	6.8	7.1	7.3	102,366	101,753	104,189
MatSu Borough	14,475	15,125	14,414	2,247	2,245	2,503	15.5	14.8	17.4	12,228	12,880	11,911
Gulf Coast Region	25,060	25,548	25,243	3,079	2,859	3,318	12.3	11.2	13.1	21,981	22,689	21,925
Kenai Peninsula Bor.	15,978	16,462	16,196	2,249	2,291	2,502	14.1	13.9	15.4	13,729	14,171	13,694
Kodiak Island Bor.	5,426	5,435	5,406	365	211	358	6.7	3.9	6.6	5,061	5,224	5,048
Valdez-Cordova	3,656	3,651	3,641	465	357	458	12.7	9.8	12.6	3,191	3,294	3,183
Interior Region	35,330	35,569	35,578	4,367	4,463	4,943	12.4	12.5	13.9	30,963	31,106	30,635
Fairbanks No. Star Bor.	30,379	30,477	30,546	3,627	3,601	4,077	11.9	11.8	13.3	26,752	26,876	26,469
Southeast Fairbanks	2,076	2,112	2,120	270	298	333	13.0	14.1	15.7	1,806	1,814	1,787
Yukon-Koyukuk	2,875	2,980	2,912	470	564	533	16.3	18.9	18.3	2,405	2,416	2,379
Northern Region	7,854	7,762	7,749	717	647	754	9.1	8.3	9.7	7,137	7,115	6,995
Nome	3,046	2,985	3,007	330	278	345	10.8	9.3	11.5	2,716	2,707	2,662
North Slope Borough	2,787	2,758	2,734	160	139	159	5.7	5.0	5.8	2,627	2,619	2,575
Northwest Arctic Bor.	2,021	2,019	2,008	227	230	250	11.2	11.4	12.5	1,794	1,789	1,758
Southeast Region	32,843	32,755	31,510	2,935	2,659	3,083	8.9	8.1	9.8	29,908	30,096	28,427
Haines Borough	847	839	839	93	80	122	11.0	9.5	14.5	754	759	717
Juneau Borough	14,188	14,292	13,573	852	873	898	6.0	6.1	6.6	13,336	13,419	12,675
Ketchikan Gateway Bor.	6,631	6,489	6,151	721	542	534	10.9	8.4	8.7	5,910	5,947	5,617
Pr. of Wales-Outer Ketch.	2,478	2,482	2,379	335	325	342	13.5	13.1	14.4	2,143	2,157	2,037
Sitka Borough	3,904	3,885	3,771	318	276	362	8.1	7.1	9.6	3,586	3,609	3,409
Skagway-Yakutat-Angoon	1,602	1,575	1,629	278	243	371	17.4	15.4	22.8	1,324	1,332	1,258
Wrangell-Petersburg	3,193	3,193	3,168	338	320	454	10.6	10.0	14.3	2,855	2,873	2,714
Southwest Region	10,660	10,804	10,826	561	585	890	5.3	5.4	8.2	10,099	10,219	9,936
Aleutian Islands	2,959	3,022	2,956	51	79	95	1.7	2.6	3.2	2,908	2,943	2,861
Bethel	4,126	4,186	4,191	251	265	379	6.1	6.3	9.0	3,875	3,921	3,812
Bristol Bay Borough	409	389	398	58	34	53	14.2	8.7	13.3	351	355	345
Dillingham	1,912	1,920	1,940	108	94	165	5.6	4.9	8.5	1,804	1,826	1,775
Wade Hampton	1,254	1,287	1,341	93	113	198	7.4	8.8	14.8	1,161	1,174	1,143

P/ = Preliminary R/ = Revised 1987 Benchmark

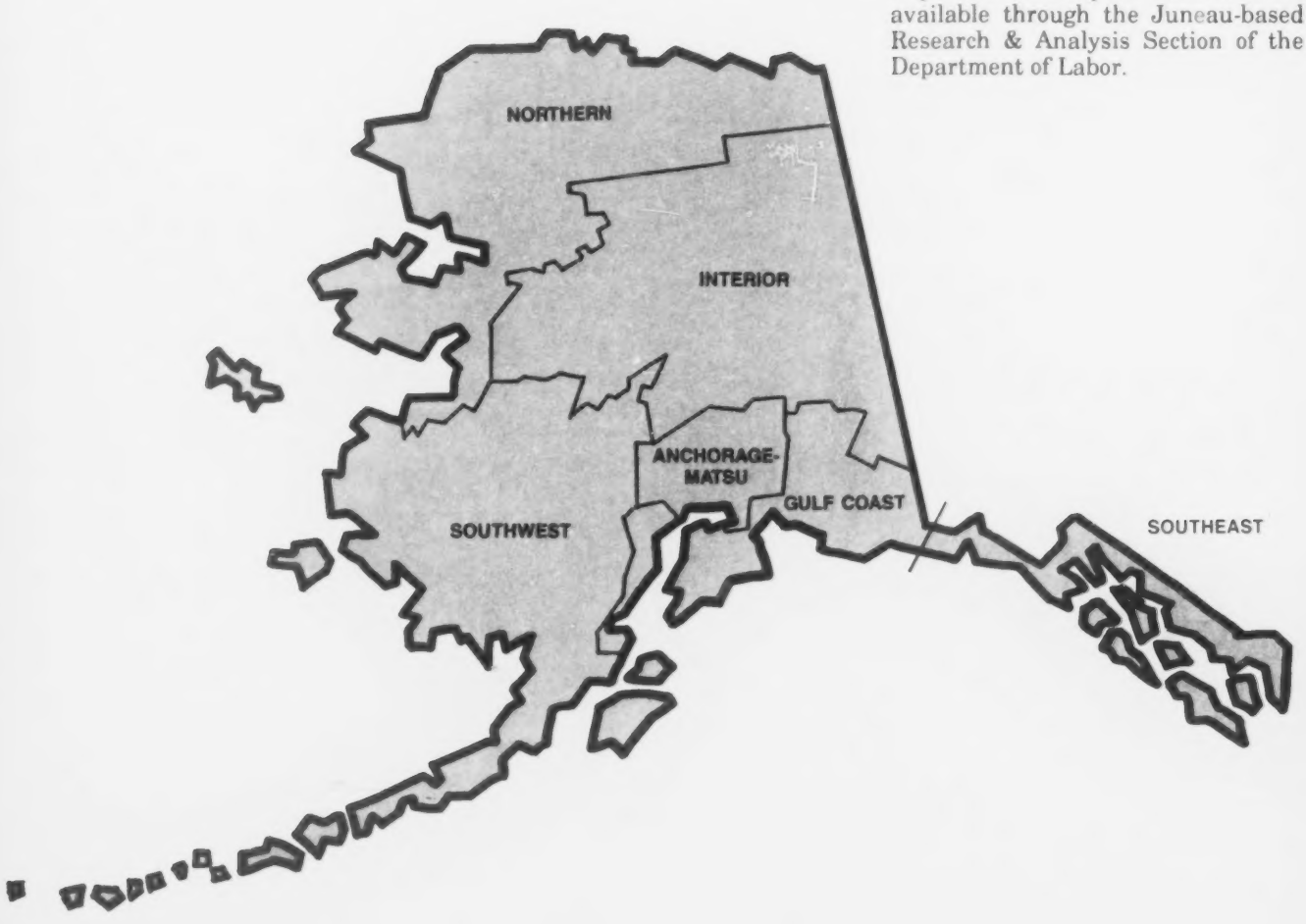
Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey (CPS) in formulas used to allocate federal funds. Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor because Alaska's CPS sample size is inadequate to accurately indicate monthly changes in level. The sampling errors are random in nature, meaning that the unemployment rates in any given month are as likely to be high as frequently as they are low. The official definitions of unemployment currently in place exclude anyone who has made no attempt to find work in the four-week period up to and including the week that includes the 12th of each month. Most economists believe that Alaska's rural localities have proportionately more of these discouraged workers.

Newly Released DOL Publications

Nonresidents Working in Alaska 1987, a 69-page publication published by the Alaska Department of Labor (DOL), was released to the governor, the legislature, and the public in late January 1989.

Researched and written by DOL Research & Analysis Section economists, the publication was the fourth of its kind in an annual series. Mandated by the state legislature in 1986, *Nonresidents Working in Alaska* addresses the status of employment in Alaska and the effect of nonresident employment on residents of the state. It also summarizes resident hire employment preference decisions made by DOL Commissioner Jim Sampson during 1987.

Copies of the report are free and available through the Juneau-based Research & Analysis Section of the Department of Labor.



ALASKA ECONOMIC TRENDS
ALASKA DEPARTMENT OF LABOR
EMPLOYMENT SECURITY DIVISION
PO BOX 3-7000
JUNEAU ALASKA 99802

OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE $300

EMPLOYMENT SECURITY MAIL
POSTAGE AND FEES PAID
LAB 449

EMPLOYMENT SECURITY MAIL
POSTAGE AND FEES PAID
LAB 449

4510 a d 2
Congressional Information Service
SRI Acquisitions
4520 East West Hwy
Bethesda, MD 20814